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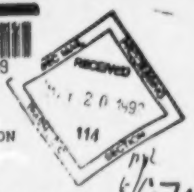

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended March 31, 1992

Commission File No. 1-1525

FQ2-2232

GLADSTONE RESOURCES, INC.
(Exact Name of Registrant as Specified in its Charter)

State of Washington	91-0234563
(State of Incorporation)	(IRS Employer Identification No.)

210 Meadows Building, Dallas, Texas 75206
(Address of Principal Executive Office) (Zip Code)

(214) 363-3432
(Telephone Number of Registrant Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

The number of shares outstanding of each of the issuer's classes of common stock as of March 31, 1992 was:

4,243,560 Shares

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached Accountant's Review Report and Consolidated Financial Statements.

BEST COPY AVAILABLE

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of operations. Sales of gas and oil increased during the first three months of 1992 as compared to the first three months of 1991, resulting in an increase in net income from operations for the period.

The Registrant, a corporation organized in 1916 under the name Gladstone Mountain Mining Company, is engaged in the ownership and operation of various oil and gas leases. NM Corporation, a wholly owned subsidiary of the Registrant, owns a 28.7% net revenue interest in and under leases and lands located in San Juan County, New Mexico. The natural gas produced from wells on such leases has heretofore been sold to El Paso Natural Gas Company; production from such wells was suspended in mid-1986 due to the purchaser's refusal to pay the contract sales price of the gas; however, in mid 1989 production resumed. In February of 1990, the Registrant received a settlement check from the operator in an amount in excess of $700,000.00.

The Registrant owns overriding royalty and reversionary interests in oil and gas leases located in the counties of Columbiana, Stark and Tuscarawas, Ohio, along with interests in equipment and pipelines related to such leases. Natural gas wells are currently producing on these leases. The natural gas is being sold to the East Ohio Gas Company and Superior Clay Corporation. The oil is presently being sold to Quaker State Oil Company.

Additionally, the Registrant owns working interests in various leases and oil wells in Kent, Schleicher, Freestone and Madison Counties, Texas.

The Registrant participated in successful wells during 1990 in Schleicher, Freestone and Madison Counties, Texas.

The following table sets forth certain information with respect to the net after royalty natural gas and oil produced to the interest of the Registrant, whether directly or through its subsidiary for the last three fiscal years:

Natural gas production in mcf
San Juan County, New Mexico

1989	1990	1991
54,311	64,775	49,939

Natural Gas production in mcf - Ohio

1989	1990	1991
7,389	5,690	5,218

Natural Gas production in mcf - Texas

1989	1990	1991
0	6,257	35,687

* Oil production in barrels
San Juan County, New Mexico

1989	1990	1991
0	0	177

* Oil production in barrels - Ohio

1989	1990	1991
295	108	62

* Oil production in barrels - Texas

1989	1990	1991
2,277	2,529	5,749

* As used in this report, unless the context should otherwise require, the term "oil" shall include condensate and natural gas liquids.

The Registrant engaged in limited drilling activities during 1990 and 1991 resulting in completion of successful wells in Pecos, Schleicher, Freestone and Madison counties, Texas.

Liquidity. Revenues from current production are sufficient to meet the continuing expenses of the operation of the business.

Capital Resources. Due to the lack of working capital, drilling activities had ceased prior to the Company's receipt of the contract settlement monies. Presently, the Company has invested in drilling projects as described above. The Company believes that it has sufficient funds to do additional exploration and development on a limited basis.

Competition and Markets. The Registrant encounters competition from the major oil companies, independent operators and others in all phases of its oil and gas operations. The Registrant is not a significant factor in the oil and gas industry. Many of its competitors have substantially greater financial, technical, personnel and other resources and have been engaged in the exploration for and production of oil and gas longer than the Registrant.

The Registrant currently markets its production of crude oil, condensate, and natural gas liquids to various oil companies and natural gas liquids resellers; however, the continued availability of a ready market depends on numerous factors beyond

the control of the Registrant. The price obtained for crude oil, condensate and natural gas liquids depends on various factors, including the grade and quality of production and general market conditions. Crude oil, condensate and natural gas liquids are generally sold at prevailing market prices

The ability to sell natural gas and the price obtained typically depends upon numerous factors, including the contractual terms, general market conditions, curtailments, and the effects of government legislation and regulations on the production, transportation, sale and price of gas.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

The following exhibits are filed as part of this report:

(11) Statement Regarding Computation of Per Share Earnings (See Consolidated Statement of Operations, p. 5 of Consolidated Financial Statements)

(19) Previously unfiled documents (Incorporated by reference to September 30, 1981 From 10-Q)

No reports on Form 8-K have been filed by the Registrant during the period ended March 31, 1992.

On May 24, 1991, the Spokane Stock Exchange closed and terminated trading in the stock of all companies listed on the exchange. Currently the Registrant's stock is not being traded on any exchange.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused

this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATE: 5-14-92.

GLADSTONE RESOURCES, INC.,
Registrant

By: E. B. Brooks, Jr.
E. B. Brooks, Jr., President

By: Emma Kate Speck
Emma Kate Speck
Secretary/Treasurer

ACCOUNTANT'S REVIEW REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

GLADSTONE RESOURCES, INC. AND SUBSIDIARY

DALLAS, TEXAS

March 31, 1992

GLADSTONE RESOURCES, INC. AND SUBSIDIARY

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MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANT'S REVIEW REPORT

Board of Directors
Gladstone Resources, Inc.
Dallas, Texas

I have reviewed the accompanying consolidated balance sheet of Gladstone Resources, Inc., as of March 31, 1992, and the related consolidated statements of operation, stockholders' equity and changes in cash flows for the three months then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these statements is the representation of the management of Gladstone Resources, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying 1992 financial statements in order for them to be in conformity with generally accepted accounting principles.

The financial statements for the year ended December 31, 1991, were audited by me and I expressed an unqualified opinion on them in my report dated March 19, 1992, but I have not performed any auditing procedures since that date.

Harold L. Ratcliff
Certified Public Accountant

Dallas, Texas
May 14, 1992

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
March 31, 1992 and December 31, 1991

ASSETS

	March 31, 1992	December 31, 1991
Current assets:		
Cash and cash investments	$ 111,280	$ 150,581
Accounts receivable (Note 3)	39,780	23,228
Refundable federal income taxes	5,945	5,945
Total current assets	157,005	179,754
Property and equipment (Note 5):		
Gas and oil properties (successful efforts method)	2,110,045	2,030,246
Office and transportation equipment	18,249	18,249
	2,128,294	2,048,495
Less accumulated depletion and depreciation	(981,670)	(946,851)
Total property and equipment	1,146,624	1,101,644
Other assets:		
Officer's note receivable (Note 4)	35,708	34,837
Organizational cost	4,954	4,954
Cost on excess of amount assigned to net assets of subsidiary at date of acquisition	337,000	337,000
	377,662	376,791
Less accumulated amortization	(240,589)	(238,730)
Total other assets	137,073	138,061
	$ 1,440,702	$ 1,419,459

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 33,562	$ 28,001
Accrued expenses	24,770	24,770
Accrued federal income taxes	-	-
Total current liabilities	58,332	52,771
Stockholders' equity:		
Common stock, no par value, 6,000,000 shares authorized, $150,000 stated value. Issued and outstanding, 1991 - 4,243,560 shares; 1990 - 4,243,560 shares (Note 7)	150,000	150,000
Capital in excess of stated value	1,230,134	1,230,134
Retained earnings (deficit)	2,236	(13,446)
Total stockholders' equity	1,382,370	1,366,688
	$ 1,440,702	$ 1,419,459

See accountant's review report

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended March 31, 1992 and 1991

	For the three months ended March 31,	
	1992	1991
Sales:		
Gas and oil	$ 78,295	$ 50,490
Cost of sales:		
Production taxes	5,249	3,788
Well operating expense	17,044	14,381
	22,293	18,169
Gross profit on sales	56,002	32,321
Expenses:		
Dry hole expense	-	6,889
Depletion	34,013	29,324
Depreciation and amortization	2,666	2,703
General and administrative	1,550	1,666
Taxes	-	371
Legal, auditing and accounting	4,379	2,862
	42,738	43,815
Net (loss) from operations	13,294	(11,494)
Other income:		
Interest income	2,388	6,844
Income (loss) before taxes	15,682	(4,650)
Income taxes (Note 6)	-	-
NET INCOME (LOSS)	$ 15,682	$(4,650)
Earnings (loss) per share (Note 7):		
Assuming no dilution	$ .00	$ .00
Assuming full dilution	$ .00	$ .00

See accountant's review report

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the three months ended March 31, 1992
and the year ended December 31, 1991

	Common Stock, No Par Value	Capital in Excess of Stated Value	Retained Earnings (Deficit)	Total
Balance at December 31, 1990	$ 150,000	$ 1,230,134	$ 41,536	$ 1,421,670
Net loss for the year 1991	-	-	(54,982)	(54,982)
Balance at December 31, 1991	150,000	1,230,134	(13,446)	1,366,688
Net income for the period	-	-	15,682	15,682
Balance at March 31, 1992	$ 150,000	$ 1,230,134	$ 2,236	$ 1,382,370

See accountant's review report

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended March 31, 1992 and 1991

	For the three months ended March 31, 1992	1991
Cash flows from (to) operating activities:		
Net earnings (loss)	$ 15,682	$(4,650)
Adjustments to reconcile net earnings to net cash provided by (to) operating activities:		
Depreciation, depletion and amortization	36,679	32,027
Decrease (increase) in accounts receivable	(16,552)	16,203
Increase (decrease) in accounts payable	5,560	1,738
Increase (decrease) in accrued federal income taxes	-	(25,000)
Net cash from operating activities	41,369	20,318
Cash flows from (to) investing activities:		
Investment in oil and gas properties	(79,799)	(35,146)
Loan (to) payment from corporate officer	(871)	13,589
Net cash used by investing activities	(80,670)	(21,557)
Cash flows from (to) financing activities:		
None	-	-
Net cash used by financing activities	-	-
Net increase (decrease) in cash	(39,301)	(1,239)
Cash at beginning of period	150,581	31,693
Cash at end of period	$ 111,280	$ 30,454
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ -	$ -
Federal income taxes	$ -	25,000

See accountant's review report

GLADSTONE RESOURCES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

NOTE 1 - ORGANIZATION

Gladstone Resources, Inc. was incorporated in the State of Washington on July 19, 1916. In March, 1973, the company acquired 100% ownership of Brooks NM, Inc., a Texas corporation (now named NM Corporation).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On an accrual basis, the company uses the successful efforts method of accounting. This method follows the premise that an enterprise is to capitalize only those costs it incurs that directly result in an asset that has future benefits measured in terms of future cash flows.

For purpose of consolidation all intercompany transactions have been eliminated.

Depreciation, depletion and amortization are calculated using the straight-line and unit of production method over the estimated useful lives of the assets or production of the estimated recoverable oil and gas reserves. Organization expenses are amortized on a straight-line basis using an estimated useful life of 40 year.

Investment tax credits are accounted for as a reduction of income tax expense in the year they are utilized under the flow-through method.

There were no significant non-cash investing or financing activities during the period ending March 31, 1992 or 1991.

NOTE 3 - ACCOUNTS RECEIVABLE

Of the net revenue interest amount of $39,780 due from the New Mexico, Texas and Ohio wells at March 31, 1992, $23,905 has been received from the operators as of the date of this report.

NOTE 4 - OFFICER'S NOTE RECEIVABLE

Mr. E. B. Brooks, Jr., borrowed $260,000 on March 13, 1990. The note stipulates that the principal and 10% interest is to be paid to Gladstone Resources, Inc. on March 13, 1991. The note is unsecured. The board of directors authorized the loan and approved the renewal. $260,000 has been paid on the interest and principal during 1991. The balance due from Mr. Brooks of $35,708.42 is now on a demand due date.

NOTE 5 - PROPERTY AND EQUIPMENT

Gas and oil properties

In March, 1973, Gladstone Resources, Inc. acquired 100% ownership of Brooks NM, Inc. (NM Corporation), a Texas corporation, in exchange for 338,000 shares of common stock. An additional 115,000 shares of common stock were issued October 12, 1975, in further consideration for additional capital costs incurred in securing price increases.

NM Corporation owns a 28.71% net revenue interest in 8 producing gas wells in San Juan County, New Mexico.

During April, 1986, the operator of the gas wells from the San Juan County, New Mexico properties suspended production due to the purchaser not agreeing to continue to pay the contracted sales price of the gas. The 1986, 1987 and 1988 estimated production has been used to reduce the reserves at December 31, 1986, 1987 and 1988 since the estimated production for 1986, 1987 and 1988 may never be recovered. In 1989 production resumed on 8 of 12 wells. Due to the non-production and other problems discovered when the wells were put back on production, four of the wells that will not produce gas were written off in 1990.

In 1990, the company received $707,961 for settlement of all contractual gas purchase obligations on the New Mexico wells. The loss associated with the four non-productive wells has been attributed to the non-production by the former purchaser.

On January 1, 1982, Gladstone Resources, Inc. purchased producing properties for $550,000 in Kent County, Texas. Previously in 1981, Gladstone purchased a 6.25% interest in a 207 acre lease with one producing well. The 1982 purchase consists of four leases on 3,035 acres and currently has 68 producing wells. The reserves on some of the properties were reduced in 1990 due to production declines.

In 1990 and 1991, the company participated in successful wells in Pecos, Schleicher, Freestone and Madison counties in Texas.

A summary of changes in the company's gas reserves (in MCF's) is as follows (oil reserves have been included as MCF's by multiplying barrels by 6). ALL RESERVE AMOUNTS INCLUDING THE REVISIONS HAVE BEEN FURNISHED BY MANAGEMENT. There are no "proved undeveloped reserves" according to management other than in Schleicher county.

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

	Total for United States	
	March 31, 1992	December 31, 1991
Beginning of period (Jan.1)	1,184,689	1,091,080
Additions through exploration of new leases (2)	1,000,000	304,000
Adjustment to reserve (1)	31,805	(83,619)
Production (total to date)	(46,032)	(126,772)
Balance at end of period	2,170,462	1,184,689

(1) Based on reevaluation of estimated reserves by management. The estimates were based on current production levels of all properties.
(2) Estimated reserves for Schleicher county gas well are included for 1992.

NOTE 6 - FEDERAL AND STATE INCOME TAXES

A reconcilement of net income per the books to taxable income for the year ended December 31, 1991, is as follows:

	1991
Book income (loss) before income taxes	$(60,927)
Add (deduct):	
Non-producing properties written off	-
Amortization of cost in excess of amount of net assets of subsidiary	7,778
Intangible development costs for taxes	(38,900)
Cost depletion for taxes less than book/cost depletion	70,544
Statutory depletion for taxes	-
Tax depreciation in excess of books	(18,127)
Taxable income (loss)	$(39,632)

(continued)

NOTE 6 - FEDERAL AND STATE INCOME TAXES (continued)

Investment tax credit carryovers consist of:

From Year Ending	Expires	Amount
12-31-77	12-31-92	$ 12
12-31-79	12-31-94	4,022
12-31-80	12-31-95	2,223
12-31-81	12-31-96	1,600
12-31-82	12-31-97	8,531
12-31-83	12-31-98	872
12-31-84	12-31-99	384
		$ 17,644

The company files a consolidated tax return.

NOTE 7 - COMMON STOCK

On May 24, 1991, the Spokane Stock Exchange closed and terminated trading in the stock of all companies listed on the exchange. Currently the stock of Gladstone is not being traded on any exchange.

Gladstone Resources, Inc. was incorporated in the State of Washington on July 19, 1916. For many years the company was relatively inactive. During this period of inactivity some of the stockholder ledger cards disappeared. Considerable effort was made to reconstruct the stockholder list and the resulting ledger cards were placed with an independent stock transfer agent in 1972. In January, 1973, Gladstone Resources, Inc. had a 1 for 4 reverse stock split. To date, 102,371 shares not listed in the stock ledger books in 1973 have been issued.

Currently there are no outstanding stock options.

The following shares of common stock were outstanding for the periods under report.

	March 31, 1992	December 31, 1991
Common stock, no par value	4,243,560	4,243,560

NOTE 8 - MAJOR CUSTOMERS

The company has two customers which represent 27% and 25% of their total revenue in 1991.